

## Directors' Remuneration Report

Our remuneration policy was approved at the company's Annual General Meeting on the 30 October 2014 and is intended to apply for 3 years.

The full policy can be found in the company's 2014 Remuneration Report and at the Investor Relations section of the website ([www.alumasc.co.uk](http://www.alumasc.co.uk)).

This report was prepared by the Remuneration Committee (The Committee) and approved by the Board for the financial year ending 30 June 2015.

The Remuneration Committee members throughout the year were Jon Pither (Chairman), Philip Gwyn, Richard Saville, John Pilkington and David Armfield. The Committee meets at least twice a year to review the remuneration of the Executive Directors. It is also responsible for determining the fees of the Chairman. The Chairman generally attends meetings of the Committee but takes no part in deliberations relating to his own position. The Chief Executive and Group Finance Director attend meetings of the Committee as requested but take no part in deliberations relating to their own position.

The Executive Directors abstain from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

This report is comprised of three sections:

- The Remuneration Committee Chairman's Annual Statement;
- An overview of the remuneration policy; and
- The Annual Remuneration Report, explaining how our remuneration policy has been implemented during 2014/15.

These sections will be subject to an advisory vote by shareholders at the company's Annual General Meeting on 22 October 2015.

The Remuneration Committee's overall approach remains unchanged from prior years. We are focused on ensuring the group's remuneration policy is aligned with shareholders' interests while also enabling us to attract, retain and motivate high quality executive management.

In making remuneration decisions, the Committee considers the group's overall performance against its long-term goals. For the year to 30 June 2015, the group has delivered a positive set of results as described in the Strategic Report. Particular highlights include:

- group revenues from continuing operations increased by 10% to £98.1 million;
- underlying profit before tax from continuing operations increased by 16% to £8.4 million; and
- the strategically important divestment of the loss-making Alumasc Precision Components business was concluded in the year.

The Committee met four times during the year – the topics under discussion were:

- approving the remuneration policy;
- approving the rules of the new Executive Share Option Scheme, which became effective on 30 October 2014;
- reviewing the base salaries of the Executive Directors and group employees more generally;
- establishing and reviewing the achievement of the bonus criteria for the Executive Directors;
- recommendations as to the LTIP award in March 2015; and
- recommendations as to the vesting of the LTIP award maturing in March 2016.

As a result, for the year ahead, the remuneration structure remains largely unchanged but will be kept under review. The detail of the Directors' remuneration is contained in the report that follows.

### **Jon Pither**

Chairman of the Remuneration Committee

## Governance

### Directors' Remuneration Report

#### Policy overview

In setting the remuneration policy for the Executive Directors, the Committee takes into account the following:

- the need to attract, retain and motivate Executive Directors and senior management;
- internal pay and benefits practice and employment conditions within the group as a whole; and
- periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies.

There are five elements of the remuneration package for Executive Directors:

- **Base salary**  
Base salary for each Executive Director is reviewed annually by the Committee, taking account of the Director's performance, experience and responsibilities. The Committee has regard to salary levels paid by UK listed companies of a similar size and nature. This approach ensures that the appropriate benchmark data is used. When determining Executive Directors' base salaries, the Committee also considers wider economic factors, the performance of the group as a whole and the general level of salary increases across the group.
- **Annual bonus**  
The Committee's general policy is that Executive Directors should receive a bonus in relation to the achievement of stretching performance targets which reflect how well the group has performed against budget. The Committee wishes to retain the flexibility to set bonus targets which reward outperformance against predetermined performance objectives and which reflect the needs of the business.
- **Long-term incentives**  
The group operates the Long Term Incentive Plan (the "Plan") which was approved by shareholders in October 2008. The purpose of the Plan is to motivate key individuals to take the company upon a programme of long term growth and to reward them for exceptional performance. Under the Plan each participant is allocated a number of shares. The vesting of shares under the Plan is subject to the achievement of performance targets.
- **Pension provision**  
Pension provision is provided by company contributions into defined contribution schemes and/or as a separate cash allowance. The group has two closed defined benefit schemes and there are no plans to reintroduce such schemes.
- **Benefits**  
The group operates a policy whereby Executive Directors are provided with health insurance, disability insurance and life cover, and are given a cash alternative to a company car.

The key principles of the policy are:

- a reward structure that balances short-term and long-term performance; and
- base salaries set at around median level for a group of Alumasc's size, complexity and industry sectors, but with the potential to earn upper-quartile rewards for sustained medium to longer term exceptional performance; and
- competitive incentive arrangements underpinned by a balance of financial measures and linked to corporate performance, ensuring a focus on business performance and alignment with the interests of shareholders.

As a result, the Committee has determined that the remuneration of Executive Directors will provide an appropriate balance between fixed and performance-related elements. The Committee will continue to review the remuneration policy to ensure it takes due account of best remuneration practice and that it remains aligned with the interests of shareholders.

#### How shareholders' views are taken into account

The committee considers shareholder feedback received at the Annual General Meeting each year. This, plus other feedback received during the year, is then considered as part of the group's annual review of remuneration. At the 2014 Annual General Meeting over 99% of those voting chose to vote in favour of the Directors' Remuneration Policy and the Committee is grateful to receive this level of support.

#### How employees' pay is taken into account

Pay and conditions elsewhere in the group were considered when finalising the current policy for Executive Directors and continues to be considered in relation to the implementation of this policy. In order to do so, the committee assesses the wider pay and employment conditions in other parts of the group.

#### How the Executive Directors' remuneration policy relates to the wider group

Both executives, and employees below executive level, have their base pay reviewed each year taking into account wage and general inflation, affordability to the group/relevant operating company, performance/development of the individual in their role and general market rates for specific skills. Employees below executive level have lower proportions of their total remuneration subject to incentive based rewards. Long term incentives are reserved for those judged as having the greatest potential to influence the group's earnings growth and share price performance.

### Service contracts

The Committee's policy on service contracts for Executive Directors is that they should provide for termination of employment by either side giving 12 months' notice. The group's policy going forward will be that no Executive Director should be entitled to a notice period or payments in excess of their contractual arrangements.

No Executive Director has the benefit of provisions in their service contract for the payment of pre-determined compensation in the event of termination of employment.

Provision	Contractual terms
Contract dates	G P Hooper – 28 January 2001 A Magson – 7 August 2006
Notice period	12 months
Termination payment	Base salary plus pension contributions and benefits. Any variable compensation accrued up to cessation may also be included at the discretion of the Committee.

### Chairman and Non-Executive Directors

The Non-Executive Directors are engaged for fixed terms, with an entitlement to accrued fees and expenses only up to the date of termination. These appointments are subject to the Articles of Association. Directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code and the company's articles.

The effective dates of the letters of appointment for the current Non-Executive Directors are as follows:

Name	Effective date of letter of appointment	Date term due to expire
R C C Saville	1 January 2015	31 December 2015
P H R Gwyn	1 July 2015	30 June 2016
J P Pither	1 July 2015	30 June 2016
J Pilkington*	1 March 2014	28 February 2015
D Armfield	1 October 2014	30 September 2017

\* Mr Pilkington retired from the Board on 3 September 2015.

### Annual Report on Remuneration

The following sections show how the policy described above was applied in 2014/15 and where appropriate will be applied in 2015/16.

#### Salary

Salaries for Executive Directors at 30 June 2015 were as follows:

- Chief Executive: £242,000
- Group Finance Director: £168,000

The Chief Executive's salary was raised by 3.3% with effect from 1 July 2015 to £250,000.

The Group Finance Director's salary was raised by 4.8% with effect from 1 July 2015 to £176,000.

These increases were awarded within the range of salary increases granted to employees across the group.

## Governance

### Directors' Remuneration Report

#### Non-Executive Directors

The remuneration of the Non-Executive Directors is set by the Chairman and the Executive Directors. The policy of the Board is that the remuneration of the Non-Executive Directors should be consistent with the levels of remuneration paid by companies of a similar size and complexity. Non-Executive Directors receive an annual fee and are reimbursed expenses incurred in performing their duties. They do not receive any performance related remuneration or pension contributions. Current fee levels are as follows:

Name	Role	Committee Chairman role	Fee to 30 June 2015 £000	Additional for Committee Chairmanships	Total
J S McCall	Chairman	Nomination	100	–	100
J P Pither	Senior Independent Director	Remuneration	28	5	33
P H R Gwyn	Non-Executive Director	–	28	–	28
R C C Saville	Non-Executive Director	Audit	28	5	33
J Pilkington <sup>†</sup>	Non-Executive Director	–	28	–	28
D Armfield <sup>*</sup>	Non-Executive Director	–	21	–	21
W K Walden <sup>^</sup>	Non-Executive Director	–	8	–	8

<sup>†</sup> J Pilkington retired from the Board on 3 September 2015 – no payment was made for loss of office.

<sup>\*</sup> D Armfield became a Director on 1 October 2014.

<sup>^</sup> W K Walden retired from the Board on 2 September 2014 – no payment was made for loss of office.

The Chairman and Non-Executive Directors do not have contracts of service but their terms are set out in letters of appointment.

#### Bonus

The group's remuneration policy caps bonuses payable to Executive Directors at 100% of base pay. In practice, bonuses will only exceed 50% of base pay in exceptional circumstances (for example completion of major strategic projects). For the year to 30 June 2015 the minimum bonus target was to achieve underlying PBT from continuing operations of £7.2 million. On the basis of actual underlying PBT from continuing operations achieved of £8.4 million a maximum 50% profit linked bonus was payable. Each of the Executive Directors earned additional exceptional bonuses of £50,000 on the successful disposals of the Alumasc Precision Components and Pendock Profiles businesses. Therefore a total bonus payment of £171,000 was made to the Chief Executive and £134,000 to the Group Finance Director.

For 2015/16 the annual bonus for Executive Directors will be determined by growth in group underlying profit before tax relative to targets set at the beginning of the financial year.

#### Long Term Incentive Plan

Each award is dependent partially on an EPS performance condition and partially on total shareholder return ("TSR"), meaning a measure of the growth in value of the ordinary shares of the company over the performance period, assuming that all dividends are reinvested to purchase additional shares. The relative weighting to be attributed to EPS and TSR in a particular award is decided upon by the Remuneration Committee.

##### 2011 LTIP award

No proportion of the 2011 LTIP award vested during the year and the award has now lapsed.

##### 2012 LTIP award

The performance metrics used for the 2012 LTIP award were stretching to incentivise a significant recovery in the group's profitability following the 2011/12 financial year. They comprised an earnings target based on Underlying Profit Before Tax (UPBT), which was used by the Committee as a proxy for growth in earnings per share, and a Total Shareholder Return (TSR) target.

A minimum UPBT of £7 million was set as the threshold level of performance for the 2014/15 financial year, below which no part of the LTIP award would vest. At this level, 25% of the award would vest. An additional 37.5% of the award would vest if UPBT of £9 million was achieved, with pro rata vesting between £7 million and £9 million.

With regard to the TSR performance metric, provided the minimum earnings threshold had been achieved, then up to 37.5% of the award would vest if Alumasc's TSR over the performance period was between median and the upper quartile performance when measured relative to the FTSE All Share Index. None of the TSR element of the award would vest for a below median performance, rising to 37.5% for upper quartile performance, pro rata in between.

The group's UPBT for the 2014/15 year was £8.4 million. The Committee used its discretion to adjust this figure downwards, principally in respect of the trading results of businesses discontinued during the year, in determining that the threshold level of £7 million UPBT had been achieved. This resulted in a 25% award in respect of the earnings target.

In order to align the performance period for the TSR metric with the earnings metric, the Committee amended the original TSR performance period, being the three years to 3 September 2015, to the three years to 30 June 2015. During the revised performance period, the group achieved top quartile relative TSR performance, but in view of the amendment to the performance period, the Committee reduced the TSR element of the award to 25%.

The Committee determined that 50% of the full LTIP award should vest, comprising 25% in respect of the earnings element and 25% in respect of the TSR element. Therefore, in March 2016, 87,259 shares will vest in respect of Mr Hooper and 36,538 shares in respect of Mr Magson.

### 2014 LTIP award

In respect of the 2014 LTIP award, granted in March 2015, the Chief Executive was awarded 140,154 shares and the Group Finance Director 64,865 shares, which equated to 75% and 50% of their base salaries respectively.

- The threshold level for any of the 2014 LTIP award (granted in March 2015) to vest will be growth in 2013/14 underlying earnings per share from continuing operations (15.4 pence) of at least the growth in the retail prices index ("RPI") plus 2.5% per annum over the three year performance period, being the three years to 30 June 2017. At this level 25% of the total LTIP award will vest. Underlying earnings per share is calculated prior to the deduction of pension interest and the amortisation of acquired intangible assets. The Committee will apply its discretion to adjust, as appropriate, should there be any changes to the group's structure during the remaining performance period;
- Below this threshold level no LTIP awards will vest; and
- Above the threshold level, half of the remaining 75% of the award will vest based on underlying earnings per share growth above the threshold level and half based on relative TSR performance as follows:
  - (a) maximum vesting of the earnings per share element of the award would require growth in 2013/14 underlying earnings per share from continuing operations (15.4 pence) by the growth in RPI plus 10% per annum over the three year performance period. Vesting will be straight line between threshold EPS performance and maximum EPS performance.
  - (b) the TSR element of the award will vest if the group achieves at least median performance, relative to the FTSE All Share Index. Maximum vesting of the TSR element of the award would require the group to achieve top quartile performance relative to FTSE All Share Index. The TSR element of the award will vest pro-rata between median and upper quartile performance.

### LTIP to be granted in 2015

It is intended that awards will be made in October 2015 to the Chief Executive, to the extent of 75% of base salary, and to the Group Finance Director, to the extent of 50% of base salary. The performance measures for these awards over the three year period will be:

- The threshold level for any of the 2015 LTIP award (expected to be granted in October 2015) to vest will be growth in 2014/15 basic earnings per share from continuing operations (15.0 pence) of at least the growth in the retail prices index ("RPI") plus 2.5% per annum over the three year performance period, being the three years to 30 June 2018. At this level 25% of the total LTIP award will vest;
- Below this threshold level no LTIP awards will vest; and
- Above the threshold level, two thirds of the remaining 75% of the award will vest based on earnings per share growth above the threshold level and one third based on relative TSR performance as follows:
  - (a) maximum vesting of the earnings per share element of the award would require growth in 2014/15 basic earnings per share from continuing operations (15.0 pence) by the growth in RPI plus 10% per annum over the three year performance period. Vesting will be straight line between threshold EPS performance and maximum EPS performance.
  - (b) the TSR element of the award will vest if the group achieves at least median performance, relative to the FTSE All Share Index. Maximum vesting of the TSR element of the award would require the group to achieve top quartile performance relative to FTSE All Share Index. The TSR element of the award will vest pro-rata between median and upper quartile performance.

### Pension provision

The defined benefit pension schemes are closed and neither Mr Hooper nor Mr Magson have benefits provided under these schemes. The group makes provision to pay 20% of Mr Hooper's base salary and 15% of Mr Magson's base salary into a defined contribution pension scheme of each executive's choosing or as a cash alternative.

### Implementation report

#### Committee role and membership

The Remuneration Committee comprises five Non-Executive Directors. Jon Pither (Chairman), Philip Gwyn, Richard Saville, John Pilkington and David Armfield. Biographies of the committee members are set out on pages 20 and 21.

Name	Position	Attendance
J P Pither	Committee Chairman	4/4
P H R Gwyn	Non-Executive Director	3/4
R C C Saville	Non-Executive Director	4/4
J Pilkington <sup>†</sup>	Non-Executive Director	4/4
D Armfield*	Non-Executive Director	3/3

<sup>†</sup> J Pilkington retired from the Board and Committee on 3 September 2015.

\* D Armfield joined the committee on 1 October 2014.

The Committee's principal functions are to advise the Board on the company's policy on executive remuneration and to approve the specific remuneration of Executive Directors, including their service contracts. Its remit therefore includes, but is not limited to, basic salary, benefits in kind, performance-related bonus awards, share options and awards, long-term incentive plans, pension rights and any other compensation or termination payments. The detailed terms of reference for the Committee are displayed on the company's web-site [www.alumasc.co.uk](http://www.alumasc.co.uk).

## Governance

### Directors' Remuneration Report

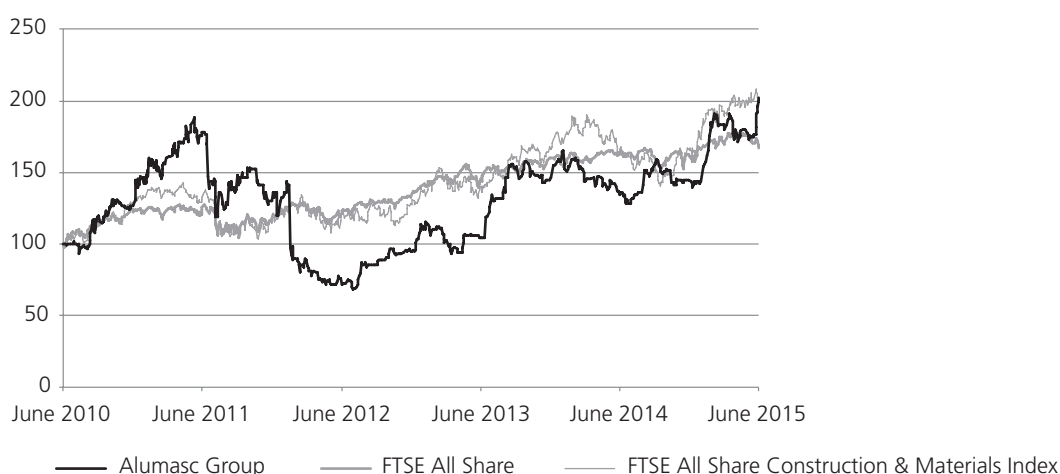
#### Shareholder voting at Annual General Meeting

At last year's Annual General Meeting (2014) the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes cast	% of votes cast
For	20,740,118	99.8
Against	21,233	0.2
Total votes cast (for and against)	20,761,351	100
Votes withheld	18,190	n/a
Total votes cast (including withheld votes)*	20,779,541	–

\* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' or 'Against' a resolution.

#### Historical total shareholder return performance



The graph shows the total shareholder return on a hypothetical holding of shares in the company compared with a broad equity market. The Directors have chosen to illustrate TSR against the FTSE All Share Index and the All Share Construction & Materials index. These indexes have been selected as, in the opinion of the Directors, they provide a more sound comparison than any subset of the market.

#### Directors' Remuneration

Director	Base salaries/fees		Bonuses		Benefits in kind		Pension contributions or payments in lieu of pension contributions		Long-term incentives with performance period ending during the year <sup>^</sup>		Single figure of total remuneration	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
G P Hooper	242	230	171	29	16	18	48	46	129	–	606	323
A Magson	168	160	134	20	14	14	25	24	54	–	395	218
J S McCall	100	100	n/a	n/a	3	3	n/a	n/a	n/a	n/a	103	103
J P Pither	33	33	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	33	33
P H R Gwyn	28	28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28	28
R C C Saville	33	33	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	33	33
J Pilkington	28	28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	28	28
D Armfield*	21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21	n/a
W K Walden <sup>†</sup>	8	33	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8	33
<b>Total</b>	<b>661</b>	<b>645</b>	<b>305</b>	<b>49</b>	<b>33</b>	<b>35</b>	<b>73</b>	<b>70</b>	<b>183</b>	<b>–</b>	<b>1,255</b>	<b>799</b>

<sup>^</sup> Estimated values based on the 3 month average share price to 30 June 2015, pending vesting of the awards in March 2016.

\* From date of appointment – 1 October 2014.

<sup>†</sup> Prior to date of retirement – 2 September 2014. No payment for loss of office was made.

## Chief Executive's Remuneration

The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past five years for the Chief Executive.

Year	Chief Executive single figure of total remuneration £000	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
<b>2014/15</b>	<b>606*</b>	<b>70.7%</b>	<b>50%</b>
2013/14	323	12.5%	0%
2012/13	355	63%	0%
2011/12	306	0%	0%
2010/11	349	43%	0%

\* Includes estimated value for LTIPs based on the 3 month average share price to 30 June 2015, pending vesting of the awards in March 2016.

## Percentage change in Chief Executive's remuneration

	2014/15 £000	2013/14 £000	% change
Salary	<b>242</b>	230	+5.0%
Benefits	<b>16</b>	18	-11.0%
Bonus	<b>171</b>	29	+100%+
Pension	<b>48</b>	46	+5.0%
LTIP	<b>129</b>	–	+100%
<b>Total</b>	<b>606</b>	323	<b>+88%</b>

## Percentage change in average remuneration of all the group's employees

	2014/15 £000	2013/14 £000	% change*
Salary	<b>30</b>	29	+2%
Benefits	<b>1</b>	1	–
Bonus	<b>1</b>	–	+100%
Pension	<b>1</b>	1	–
<b>Total</b>	<b>33</b>	31	<b>+6%</b>

\* Individual employees received basic wage/salary increases of between 1% and 5% depending on the performance of the group company they were employed by, skill levels and assessment of their own individual performance.

## Relative importance of spend on pay

	Total remuneration of all employees of The Alumasc Group plc £000	Dividends paid £000
<b>2014/15</b>	<b>25,303</b>	<b>1,889</b>
2013/14	24,108	1,675

## External appointments

Neither of the Executive Directors has any external paid directorships. Executive Directors are permitted to accept external board or committee appointments provided they do not interfere with the Executive Directors' obligations to the company. The Board will decide at the time of appointment whether the Executive Director may retain the fees for such appointments.

## Executive Share Option Scheme

Executives have in the past, been able to participate in the Executive Share Option Scheme approved by shareholders in 2004. This scheme is designed to encourage the matching of interests between management and shareholders. No awards under the scheme were made to Executive Directors during the year. The Chief Executive continues to participate by virtue of an award made in 2006, which may be exercised until 2016 on condition that the growth in earnings per share (EPS) exceeds the increase in the Retail Price Index (RPI) by 7.5% over the course of a continuous three year period.

## Governance

### Directors' Remuneration Report

#### Long Term Incentive Plan awards granted in March 2015

	Scheme	Basis of award granted	Face value of award <sup>†</sup>	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting and performance period
G P Hooper	2008 Plan LTIP	75% of base pay	£217,939	100%	25%	3 years
A Magson	2008 Plan LTIP	50% of base pay	£100,865	100%	25%	3 years

<sup>†</sup> Based on share price of 155.5 pence on the day before the date of grant. The share price used to calculate the LTIP percentage of salary was 129.5 pence on 11 February 2015.

Further details regarding the Long Term Incentive Plan, together with the performance conditions applying to the above awards are set out on page 37.

#### Executive Share Option Scheme

	Exercise price	Earliest exercise date	Expiry date	As at 1 July 2014	Exercised in year	Granted in year	Lapsed in year	At 30 June 2015
G P Hooper	171.2p	April 2009	April 2016	<b>39,878</b>	–	–	–	<b>39,878</b>

#### Long Term Incentive Plans

	Date of award	Market price at award date*	Earliest exercise date	As at 1 July 2014	Vested in year	Market price at vesting date	Granted in year	Lapsed in year	At 30 June 2015
<b>G P Hooper</b>									
	Nov 2011	140p	Nov 2014	<b>135,448</b>	–	–	–	135,448	–
	Mar 2013	98p	Mar 2016	<b>174,519</b>	–	–	–	–	<b>174,519</b>
	Oct 2013	127p	Oct 2016	<b>134,241</b>	–	–	–	–	<b>134,241</b>
	Mar 2015	155.5p	Mar 2018	–	–	–	140,154	–	<b>140,154</b>
Total 2008 Plan				<b>444,208</b>			140,154	135,448	<b>448,914</b>

#### A Magson

	Nov 2011	140p	Nov 2014	<b>56,716</b>	–	–	–	56,716	–
	Mar 2013	98p	Mar 2016	<b>73,076</b>	–	–	–	–	<b>73,076</b>
	Oct 2013	127p	Oct 2016	<b>62,257</b>	–	–	–	–	<b>62,257</b>
	Mar 2015	155.5p	Mar 2018	–	–	–	64,865	–	<b>64,865</b>
Total 2008 Plan				<b>192,049</b>	–	–	64,865	56,716	<b>200,198</b>

\* The market price at the award date is based on the price at the date the employee trust granted the award. This price can differ from the market value at the date the Remuneration Committee recommended the award to the trust.

All awards under the 2008 Plan have a £nil exercise price.

The aggregate of gains made by Directors on the exercise of share options during the year was £nil (2014: £nil).

#### Directors' holdings in shares

There is no requirement of Directors to hold a specific number of shares in the company. Details of Directors' holdings are set out on page 23.

#### Employee Trust

At the year end the employee trust held 485,171 ordinary shares. The market value of the shares held in trust at 30 June 2015 was £802,958.

#### Company share price

The closing mid-market price of the shares on 30 June 2015 was 165.5 pence and ranged between 109 pence and 165.5 pence per share during the year.

On behalf of the Board

#### J P Pither

Chairman  
Remuneration Committee

3 September 2015